

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTON COUNTY WATER)	
DISTRICT NO. 1 (A) FOR AUTHORITY TO MERGE)	
THE CITY OF INDEPENDENCE WATER DISTRIBUTION)	
SYSTEM AS PROVIDED BY AN EXISTING)	
CONTRACT; (B) FOR CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO OPERATE THE)	89-211
MERGED SYSTEM UNDER THE UNIFORM RATES OF)	
THE DISTRICT; AND (C) FOR AUTHORITY TO)	
DEFEASE THE REMAINING BOND INDEBTEDNESS)	
OF THE CITY WATER SYSTEM IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$269,000 WITH)	
FUNDS HELD BY THE DISTRICT)	

O R D E R

On July 27, 1989, Kenton County Water District No. 1 ("Kenton County") applied for Commission approval to merge the water distribution system of the city of Independence, Kentucky ("Independence") into its water distribution system, for authority to defease outstanding waterworks revenue bond obligations which it assumes upon merger, and for a Certificate of Public Convenience and Necessity to operate the merged system under its tariffed rates.

Having reviewed the application and evidence of record and being sufficiently advised, the Commission finds that:

1. Kenton County, a water district organized pursuant to the provisions of KRS Chapter 74, provides water service throughout Kenton County, Kentucky.

2. Independence is an incorporated city of the fifth class situated in Kenton County, Kentucky.

3. Independence owns a water distribution system which currently provides water service to approximately 1290 customers.

4. In November 1973, the voters of Independence approved the merger of Independence's water distribution system into Kenton County's water distribution system.

5. On May 8, 1974, Independence and Kenton County entered into a written contract whereby they agreed to the eventual merger of Independence's water distribution system in Kenton County's water distribution system and provided for the interim operation of the Independence water distribution system. Under the contract, Independence granted to Kenton County for a 30-year term operating rights to its water distribution system and exclusive rights to serve all persons within Independence's boundaries. Kenton County agreed to operate the water distribution system, to collect all outstanding receivables and future billings for services, and to maintain reserve, depreciation, and other funds of the water distribution system as provided by Independence's Waterworks Revenue Bond Ordinance of 1962. Kenton County further agreed to hold all funds collected from the customers of Independence's water distribution system and to maintain separate records for that system.

6. Kenton County has operated Independence's water distribution system since 1974. It has, in addition to operating the system, made several improvements including the construction of water line extensions and a water storage tank, with its own funds.

7. Kenton County and Independence agree that the merger of the two water distribution systems should now occur.

8. Upon merger of the two systems, Kenton County will assume all assets, liabilities, and bonded indebtedness of Independence's water distribution system. As of December 31, 1988, Independence's water distribution system had total assets of \$823,362 and total liabilities, including bonded indebtedness, of \$404,948.

9. As of April 30, 1989, Kenton County had total assets of \$52,194,733 and total liabilities of \$32,527,894.

10. As of the date of Kenton County's application, \$269,000 of Independence's Waterworks Revenue Bonds are outstanding. Kenton County proposes to defease these outstanding bonds concurrent with the merger of the two water distribution systems. Total cost to accomplish defeasance, excluding administrative costs, is estimated to be approximately \$222,000 and will be met from current funds.

11. Kenton County's assumption of the liabilities and bonded indebtedness of Independence's water distribution system is for a lawful object within Kenton County's corporate purposes, is necessary for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

12. As the Independence water distribution system is owned by a city and is not, therefore, a utility as defined by KRS

278.010, Commission approval of the proposed merger is not required.

13. As a result of the 1974 merger agreement and the provisions of the Waterworks Revenue Bond Ordinance of 1962, the rates currently charged to Independence's customers are higher than those prescribed in Kenton County's filed tariffs. Once merger occurs, KRS 278.160(2) and KRS 278.170(1) require Kenton County to charge these customers the same rates as charged to other similarly situated customers.

IT IS THEREFORE ORDERED that:

1. Kenton County is authorized to assume and defease the outstanding bonded indebtedness of Independence's water distribution system.

2. Upon defeasance of the outstanding Independence Waterworks Revenue Bonds and merger of the Independence water distribution system into Kenton County's water distribution system, Kenton County shall charge all customers at the rates set out in its filed tariffs.

Done at Frankfort, Kentucky, this 1st day of November, 1989.

ATTEST:

Executive Director

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner